

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Schools and Libraries Universal Support Mechanism)	CC Docket No.02-6
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	

**COMMENTS OF
WTA – ADVOCATES FOR RURAL BROADBAND**

WTA – Advocates for Rural Broadband (“WTA”) submits these comments on the Public Notice of the Wireline Competition Bureau and Office of the Managing Director seeking comment on reforms of USAC processes and oversight.¹ WTA is a national trade association representing approximately 400 small, rural local telecommunications carriers. The typical WTA member company serves fewer than 5,000 customers per service area and has fewer than 50 employees. WTA’s members provide voice, broadband and other communications-related services to some of the most remote, rugged, sparsely populated, and expensive-to-serve areas of the United States, and have been at the forefront of providing advanced services to these very difficult to serve territories. WTA’s members also receive funding under the Commission’s various Universal Service Fund programs, and thus they regularly interact with USAC. WTA thus welcomes this opportunity to address a couple of the questions raised in the *Public Notice* with regard to ways in which USAC could perform its role more efficiently and

¹ *Public Notice*, Wireline Competition Bureau and Office of the Managing Director Seek Comment on Reforms of USAC Processes and Oversight (CC Docket Nos. 96-45, 97-21), DA 26-367, released April 15, 2026 (hereafter cited as “*Public Notice*”).

without imposing unnecessary costs and burdens on WTA's members. In particular, WTA's Comments focus on the *Public Notice* questions regarding:

- Are there USAC processes that cause undue delay or burden on program participants?
- Could changes in the FCC's oversight of and guidance to USAC increase responsiveness for program participants and stakeholders, such as shot clocks or clear deadlines for USAC action?
- What should be the appropriate length of time after the issuance of an audit finding for the Commission to recover funds improperly disbursed to support recipients? Should the timing of a support recovery for improperly disbursed funds be impacted by an administrative appeal?
- Are there changes the FCC should make to streamline USAC's audit and recovery processes to improve efficiency?

WTA's members regularly interact with USAC in the context of audits. And WTA and its members appreciate the need for USAC to conduct audits to ensure that carriers receiving USF payments are using those funds properly. Moreover, we recognize that random audits are an efficient way of ensuring compliance without burdening USAC or the carriers by requiring every carrier to undergo constant audits.² But the Commission must also recognize that these random audits place significant burdens on very small rural telcos and are a huge strain on their limited resources.³ Moreover, to make matters worse, our members find that the current USAC

² In these comments, we distinguish between "random audits" and those that are required because of an investigation or other reason to suspect non-compliance ("for cause audits").

³ One of our members recently went through an audit that lasted two years. Because it is a small company with fewer than ten employees, it had to outsource a lot of the work on that audit. In addition to consuming many of its own employees time to work on the audit, the amount of contract hours it had to spend on these outside consultants, engineers and accountants totaled approximately \$150,000, for an audit that was reviewing \$350,000 in USF payments.

audit process is also best characterized as “Kafkaesque,”⁴ as demonstrated by their experiences described below.

As a general matter, our members have had to undergo concurrent random audits, as well as random audits in consecutive years over as many as four years. As discussed in the recommendations below, the Commission should employ a mechanism to spread out the burden of random audits. But there are also significant problems experienced by our members with the way in which the audits are currently conducted:

Burdensome requests with unrealistically short deadlines

A common complaint is that our members receive burdensome requests and typically are provided only two days to respond. As one WTA member described their recent experience:

I have had four USAC audits (PQA & BCAP) in the last four years. I would say my biggest complaint has been delivery of request and timeline (two days is not enough) in combination with requests spent on things that are not material. I am in an audit right now. I got a request last Monday they wanted by Wednesday, and I was out of the office Wednesday so worked Tuesday night to get it done. After delving into the request, I had found most of it was stuff they requested 6-8 weeks ago that it turns out they never downloaded to the portal, but it took me an entire day to sort through it all. Then, after rushing through that and getting it in Tuesday before I was out Wednesday, I got one Wednesday while I was out, and it was due Friday when I was out again and had all day meetings on Thursday. I definitely feel they should not send requests at 4pm on Friday (happens frequently), and all requests should have a standard one or two week reply window.

Another WTA member explained:

In a recent PQA, we were asked to provide documentation on plant placed in service in 1995. This was 30 years ago. The documentation was not easily accessible. It was stored in a box in a warehouse. We had to locate the documents then scan the paper

⁴ <https://www.merriam-webster.com/dictionary/Kafkaesque>:

Kafkaesque (adjective) -- Kaf·ka·esque: of, relating to, or suggestive of Franz Kafka or his writings, *especially* : having a nightmarishly complex, bizarre, or illogical quality.

copies because there were no digital copies available. This was time consuming. A two-day turnaround was impossible. We have had three PQA audits in the last two years. Two of these were concurrent. We are a small company with a very small accounting team. The two concurrent audits were going on in the first part of the year while we were conducting our annual financial audit as well as the numerous regulatory and tax filings that must be prepared for the prior year. Each of these audits had multiple requests, some of them at the same time, and each giving us a two-day deadline. When a small team is already stretched thin this becomes too much. In a recent PQA, we were asked to justify 106 different expenses as part of their expense testing. We were asked to “be as specific as possible” for each expense. We were given two days to complete this request. I had to cancel meetings and put off all other work to complete this on time.

Audits can drag on as long as three years or more

Despite the short deadlines imposed on our members by the auditors, the auditors seem to work on a leisurely pace. It is not unusual for audits to take as much as three years to complete. And to add insult to injury, our members are not updated on the status of their audit, nor do the auditors communicate when the audit is closed (unless our members specifically ask – and many are reluctant to “poke the bear”).

Inconsistent guidance from different teams of auditors

Members have found that there is a lack of consistency in guidance provided by different teams of auditors. In cases where companies have audits in consecutive years, they will be told that the guidance provided by the previous USAC audit team, which they then followed, was incorrect. It is very disconcerting to our members to get “dinged” in an audit for following the guidance of a prior USAC audit team.

Lack of knowledge of communications technologies by auditors

Our members have found that different audit teams seem to have differing degrees of knowledge with regard to telecommunications technology and the telecommunications industry. While they are knowledgeable about accounting and audits, some of the auditors are unfamiliar with the telecommunications industry (typically much more often with the outside

auditors than the USAC auditors). As a result, our members then need to expend additional time explaining these issues to the auditors.

By way of example, one WTA member indicated:

In a recent PQA I had to have multiple phone calls and emails with the auditor to explain how material costing is calculated in telecom accounting. Specifically, that overhead is allocated to the material costs. They could not understand why the per unit cost in the CPR did not match the material cost for that item.

And another WTA member explained that:

The audit team really struggled with questions on Continuing Property Records because they aren't familiar with Innovative Systems's platform. We basically had to do all that work for them and educate them on the numbers.

Trivial discrepancies/issues

Our members have experienced expending significant time and effort with auditors on truly trivial and/or non-material matters. With one of our member companies, it received a "clean audit" except for a disagreement on whether a \$34 expense to buy flowering plants for the office landscaping was allowable. Another member got "dinged" in its audit because it did not have in its files the original receipt for a truck purchased 30 years ago, which had long since been fully depreciated. And another member was "dinged" because it had a policy of giving its customers partial refunds if they cancelled monthly service before the end of the billing period. Apparently the auditor frowned on partial refunds, despite that being a benefit to customers.

Recommendations:

WTA has some suggestions on how the Commission could improve the auditing process. With regard to concurrent random audits, the Commission should allow the company to request that it only be subject to one audit at a time. In an analogous situation – the random broadcast EEO audits – the broadcaster can request that the Commission rescind the audit

request if that broadcaster had been subject to a random audit in the previous two years.⁵ In addition, the Commission should have USAC minimize the number of audits conducted on small companies in the First Quarter, because the small accounting staffs at rural telcos are already strained conducting financial audits and trying to meet the burdensome demands for regulatory and tax filings. With respect to random audits in consecutive years, WTA suggests that if the results of those audits revealed no non-trivial problems over both years then that carrier should not have to face any further random audits for the next three years. More generally, the Commission should incorporate the concept of materiality into the USAC audits, similar to what the Commission did previously with regard to the Uniform System of Accounts (“USOA”).⁶ This would allow both the auditors and the companies to focus their limited resources on non-trivial matters.

In addition, WTA also urges the Commission to have the auditors try to send all inquiries at one time. The information requests seem to come sporadically, and the companies

⁵ Cf., 2025 Public Notice announcing the randomly selected broadcast EEO audits (<https://docs.fcc.gov/public/attachments/DA-25-673A1.pdf>):

(c) If the Unit submitted an EEO audit response in 2023 or 2024 and/or the most recent license renewal application(s) applicable to the Unit were granted after June 1, 2023, send an email to EB-EEO@fcc.gov for additional guidance on whether a response is required. In the email, provide a reference to the relevant filings/applications before the Commission.

⁶ *Comprehensive Review of the Part 32 Uniform System of Accounts; Jurisdictional Separations and Referral to the Federal-State Joint Board*, 32 FCC Rcd 1735 (2017) at ¶ 25:

Fourth, we revise our rules to incorporate the concept of materiality. As USTelecom explains, “USOA has no materiality standard and requires all transactions be booked regardless of any materiality consideration. This forces carriers to justify every accounting discrepancy, no matter how trivial and immaterial, thereby adding unnecessary costs to the preparation and audit of a carrier’s accounting records.” We agree and incorporate the GAAP standard of materiality for price cap carriers. (citation omitted)

never know when they are coming or how many of them are coming. If the auditors completed their initial review and sent a single request with all inquiries, it would streamline the process and help the companies in prioritizing the effort, and thus would be more efficient. In addition, the companies should be given a minimum of ten days to complete the request instead of the current standard of two days. WTA also believes the Commission should consider a “shot-clock” to prevent audits from lingering, and the Commission should certainly require the auditors to notify the company when the audit is closed. Finally, with regard to the lack of the auditors’ expertise concerning the telecommunications industry and telecommunications technologies, WTA suggests that for USAC’s internal audit teams, training on these issues be regularly provided and updated. And for outside auditors that USAC retains to provide audits, the contract should specify that those auditors have the requisite expertise concerning the telecommunications industry and telecommunications technologies, or the outside auditors will commit to undertake training to acquire that expertise.

In addition to the concerns with the burdens and problems with the audits, our members also have some concerns with the unfairness of some of the policies applied by USAC. One concern is that there does not seem to be any limit as to how far back an auditor will look. In contrast, when the Commission is seeking to apply sanctions or penalties for violations of the Commission’s rules, a statute of limitations will restrict how far back the Commission can look to penalize the violation.⁷ It seems anomalous to provide wrongdoers with greater protections than companies that are merely subject to a random audit.

⁷ With respect to Commission forfeitures for violations of the Telecommunications Act or FCC regulations, the Commission has a relatively short statute of limitations -- one year to initiate a Notice of Apparent Liability proceeding. 47 U.S.C. § 503(6)(B). The more generalized federal statute of limitations for penalty proceedings is five years. 28 U.S.C. § 2462.

Members also complain about the “one-way ratchet” with respect to recoveries of disallowed expenses, with the auditors requiring repayment of disallowed expenses, but providing no relief to the company if an auditor determines that expenses that were not charged actually should have been. That policy of “heads I win, tails you lose” is unfair, particularly because the accounting requirements occasionally have “gray areas.” And finally, members complain that funds may be withheld during investigations, thus presuming guilt before the trial is complete. Meanwhile, companies need the funds to continue operating the business and providing service to the customers, but as noted above, the audits can drag on for years.

WTA appreciates the Commission’s efforts to reform USAC’s policies and procedures so that they are efficient and effective. WTA and its members stand ready to provide the Commission with any further assistance it needs in this endeavor.

Respectfully submitted,

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